

BOROUGH OF UNION BEACH

2022 REASSESSMENT REPORT



INTRODUCTION

The past two years have been an exceptional period for real estate. Housing scarcity and record low mortgage interest rates have caused incredible price appreciation and volatility throughout the entire market. The recent market changes highlight the importance of the assessment function, which serves as the *distribution* mechanism of county, school, and municipal tax levies.

The New Jersey constitution requires annual tax levies to be distributed based on market value. Contrary to popular belief, property assessments do not generate taxes. They simply *distribute* them. Despite technological advances, many municipalities in the state maintain a static assessment environment. Meaning, assessments are set during a revaluation year where they remain unchanged for 10 and sometimes 20 or more years. That time stamped snap shot of the market quickly becomes outdated as the different facets of the real estate market begin to change. Sectors, neighborhoods, property types, and so on will each appreciate and depreciate at different rates. The static assessment environment cannot accommodate market fluidity and the resulting assessment inaccuracies will cause the tax levy to be disproportionately divided amongst the taxpayers. By not implementing a proactive assessment maintenance approach, tax distribution becomes less accurate each year that passes. The built-in assumption of the static assessment environment, that all property values within a municipal boundary appreciate or depreciate at the same rate over time, will continue to compromise fair and equitable levy distribution. Annual assessment maintenance is simply about tax distribution fairness (as defined by the NJ constitution). The annual reassessment model has the ability to adapt to the everchanging real estate market, and by doing so, assessment accuracy and fair tax distribution are preserved.

Through the 2022 reassessment, changes to the global assessment modeling were made to target market value. Adjustments were also made to all individual properties, neighborhoods and submarkets to refine assessment accuracy. The goal of the reassessment is to annually target 100% market value so that statistical measurements represent better assessment accuracy. For the upcoming 2022 tax year, the overall aggregate value for the Borough of Union Beach will be approximately 13.81% higher than it was in 2021.

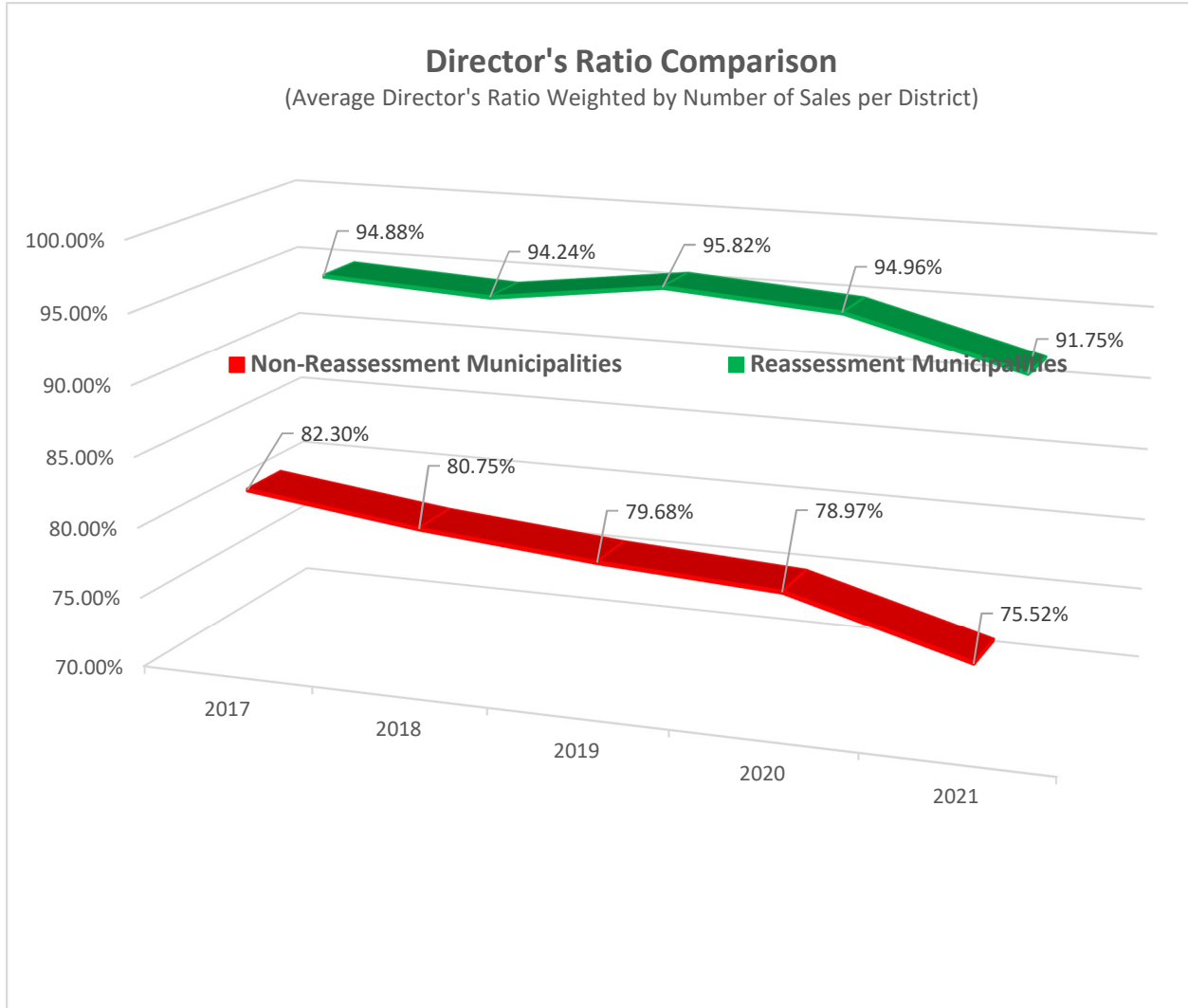
PRIOR YEAR (2021) REFLECTION

Each October, the NJ Division of Taxation conducts statistical studies which measure the accuracy of current year assessments. These studies could be considered the “assessor’s gradebook” for that year’s assessments and resulting tax distribution. Nevertheless, recognition must be made that the assessments are produced the prior year based on past sales, while the study is done the subsequent year based on future sales. Appreciating markets would likely result in a ratio under 100%, while depreciating markets would likely result in a ratio over 100%.

2021 has been an extraordinary year for the real estate market as property values surged to record highs. As anticipated, the dynamic appreciation of property value has affected assessment accuracy and market predictability statewide and beyond. It should be well understood that when markets are more volatile (up or down), assessment to sales ratio deviation; (known as the coefficient of deviation or COD), will be statistically higher. Market participants tend to make decisions more erratically and emotionally. Low supply causes bidding wars where a home could end up transacting at a price that is not supported by other data. Most importantly, when markets move so rapidly, the dataset of sales within the 1/1-6/30 sampling period will contain sales from various points in time when the market was dramatically different (i.e. June 2021 sales are significantly higher than January 2021 sales). Since the sampling period extends the entire timeframe (not accounting for market changes) the COD measurements are expected to be higher. While CODs will be higher in both reassessment and non-reassessment districts, the fact remains that the reassessment districts are better equipped to deal with a higher level of volatility. Coefficients in static assessment districts will continue to deteriorate each year that maintenance is ignored. On the other hand, reassessment districts can adjust assessments accordingly in line with the changing market. Not surprisingly, reassessment districts have endured the volatile market conditions much better than the non-reassessment districts have. Moreover, the prognosis for non-reassessment districts is very concerning. Hindered by the inability to make appropriate adjustments, the accuracy of tax levy distribution will progressively deteriorate. The reassessment vs non-reassessment statistics displayed in “Exhibit A-C” display an alarming trend for the static assessment environment.

EXHIBIT A

Statewide Comparison of Reassessment vs. Non-Reassessment Districts



***Reassessment Municipalities are the 72 districts that reassessed every year for the past five years**

****Non-Reassessment Municipalities are the 380 districts that have done no reassessments or revaluations in at least five years**

EXHIBIT B

Statewide Comparison of Reassessment vs. Non-Reassessment Districts

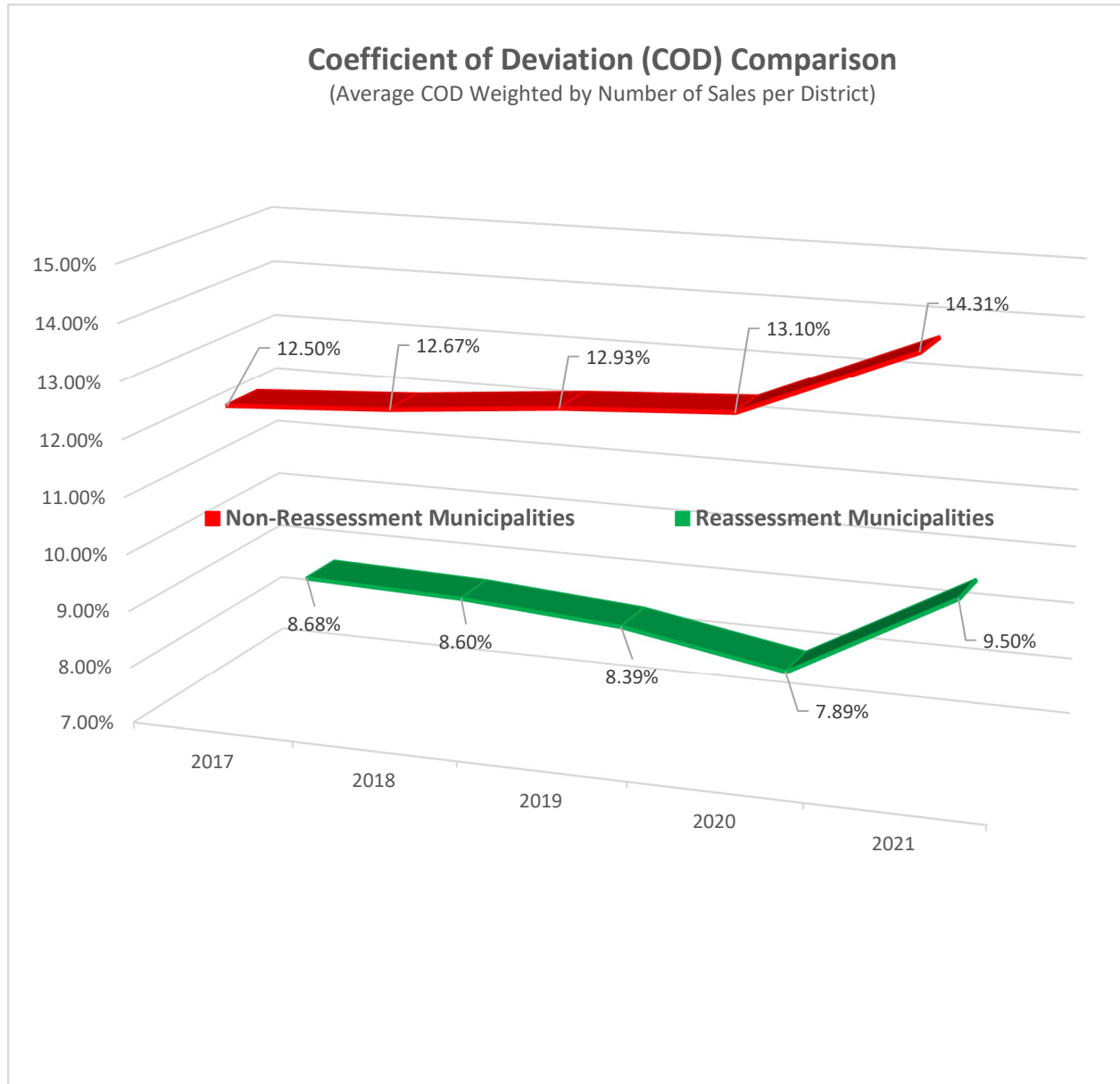
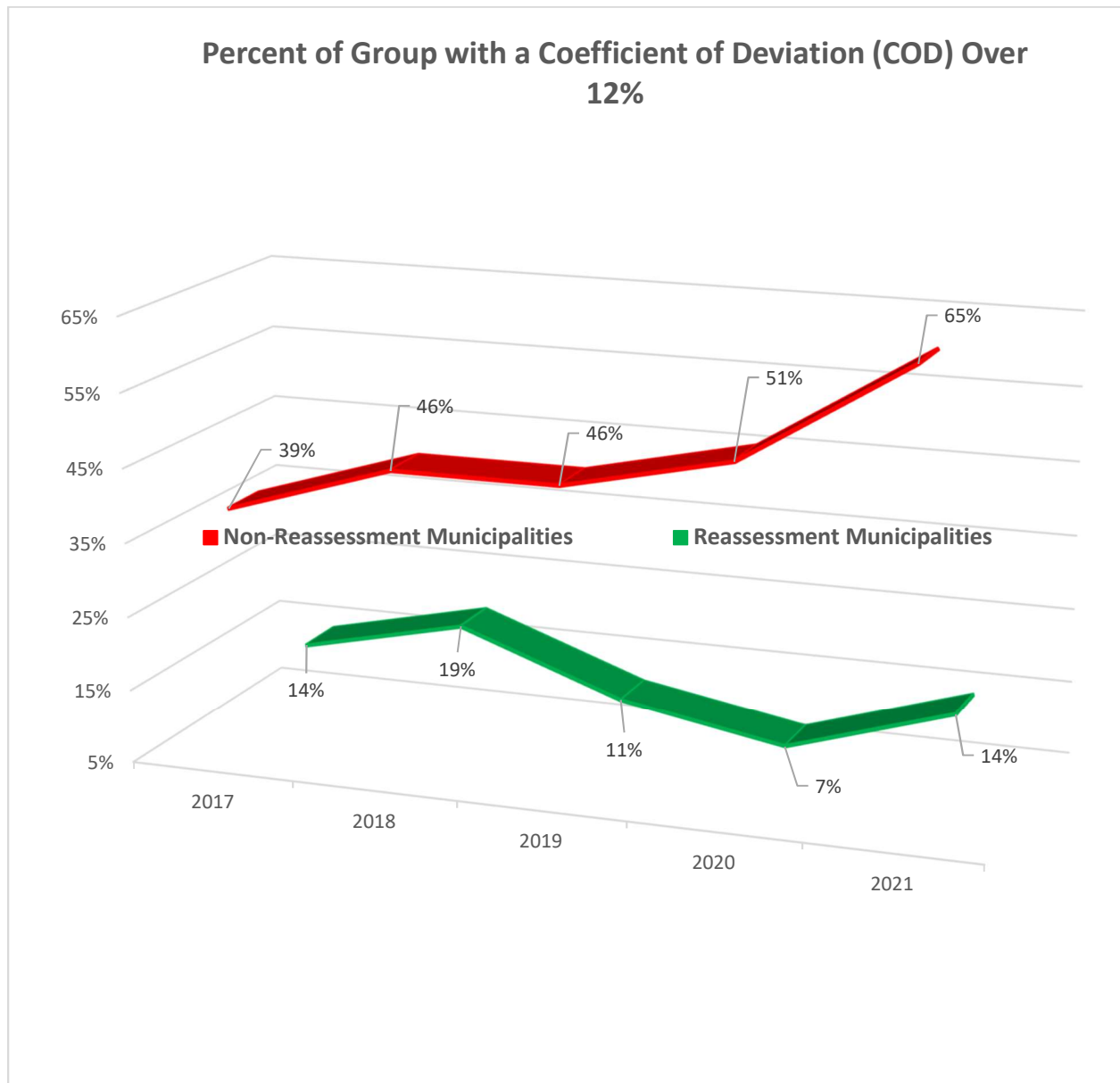


EXHIBIT C

Statewide Comparison of Reassessment vs. Non-Reassessment Districts



Director's Ratio

The Borough of Union Beach Director's Ratio for 2021 is 92.55%. While the "Director's Ratio" is a complex calculation, this measurement is intended to express the typical relationship between assessments and sale prices in a given municipality. The sampling period used for the Director's Ratio contains sales that took place between January and June. It is then blended with the Director's Ratio from the prior year to stabilize shared levy impacts. With assessments being set during the pre-tax year (based on sales that took place during the prior two-year period), it is expected that ratios will be lower than 100% when markets are appreciating. The opposite would hold true for declining markets. Typically, real estate markets do not appreciate significant amounts year over year, so little emphasis was put on this topic in prior reassessment reports. However, the recent market changes have been exceptional so the calculation is worth noting in this report to provide context to the declining ratio.

General Coefficient of Deviation (COD)

The General Coefficient of Deviation is widely held as the best indicator in determining proper tax distribution. It is a way to measure how tightly clustered individual assessment ratios are in relation to the average ratio. A lower COD means more accurate and fair tax distribution. The COD normalizes ratios to show accuracy within a municipality regardless of what the Director's Ratio is in any given year.

The more homogeneous the properties in a municipality are, the lower the COD should be. For example, a municipality that is comprised of mostly townhouses would be expected to yield better assessment accuracy than a municipality that is comprised of a complex range of property types. Through annual reassessments, Monmouth and Somerset Counties are showing much lower CODs compared to historical or statewide data.

Despite the growing complexity of the Borough the COD is more accurate than the norms in the rest of the state, meaning that the assessments and resulting tax distribution are fairer. The COD is also trending to be meaningfully more accurate than historical coefficients. The Borough's 2021 COD is **7.73**. Historically, the static assessment years of 1991-2013, yielded an average general coefficient of 11.66. While a historical comparison is an important measurement, the COD must continue to be analyzed over time as coefficients can potentially be higher during years that the underlying market is more volatile or suffers from lack of supply or demand (like 2021). Despite the market volatility this year, the 2021 COD was still significantly lower than the historical average for the Borough.

2022 REASSESSMENT

The central objective of a reassessment is to uniformly produce property assessments that represent fair market value. Accurate assessments ensure fair distribution of the tax levy. The intent is for the property owner to pay taxes based off of their proportionate share of the total municipal value. If a home is valued at 1% of the overall municipal value, that homeowner will be responsible for paying 1% of the total tax levy. Fair and equal distribution of the tax levy is achieved year over year by maintaining accurate property values through the function of annual reassessment.



(VCS neighborhood stratification mapping)

Through the 2022 reassessment, changes to global modeling were made to target market value. Adjustments were also made to all individual properties, neighborhoods and submarkets to refine assessment accuracy. The goal is to annually target 100% market value so that the statistical measurements represent better assessment accuracy.

The primary driver of a reassessment is recent “arms-length transactions”. Statutorily, properties are assessed for what they would have sold for on October 1st of the pretax year. The 2022 valuation date is October 1st, 2021. There were approximately 183 “usable” sales in the 2020-2021 market analysis.



Colored dot correlates with sales ratio: Red >105%, Blue 95%-105%, Green <95%

While the local market has appreciated at significant rates, assessors must view sales data used in the study in its totality when employing mass modeling techniques. While more recent sales are certainly given more credibility in the analysis, older sales will still be a stabilizing factor with annual reassessments. Inevitably, older sales will pull the modeling in the direction that the market was in the past. With regard to the 2022 reassessment, current sales are much higher than 2020 and early 2021 sales. To some degree, the older sales data pulls the assessments lower than current sale prices actually are. Should this market appreciation continue through 2022, the Division of Taxation Director's ratio will certainly be lower than the 100% target. We must recognize that the ratio study is being done with future sales, while the reassessment analysis is being done with past sales. The goal of the reassessment is to react to the market, not predict it.

Strong market trends and low mortgage rates continued to play a role in the surging real estate prices seen nationally. The pandemic may have caused a housing inventory shortage which drove prices even higher, but it has also helped usher in the age of the remote workplace. Home buyers were no longer tethered to the geographical vicinity of their work place and this has helped improve values in previously untapped markets.

The aggregate value for the Borough of Union Beach has increased by approximately 13.81% from 2021. The below chart illustrates the percent change for Borough properties.

Change Bucket	# Properties	% Change
A. Decrease: 15% and Over	9	0.40%
B. Decrease: 10-15%	1	0.04%
C. Decrease 5-10%	3	0.13%
D. Decrease: 2-5%	5	0.22%
E. Decrease: 0-2%	5	0.22%
F. No Change	6	0.27%
G. Increase 0-2%	18	0.80%
H. Increase: 2-5%	26	1.16%
I. Increase: 5-10%	276	12.28%
J. Increase: 10-15%	1485	66.06%
K. Increase 15%+	411	18.28%
#DIV/0!	3	0.13%
Grand Total	2248	100.00%

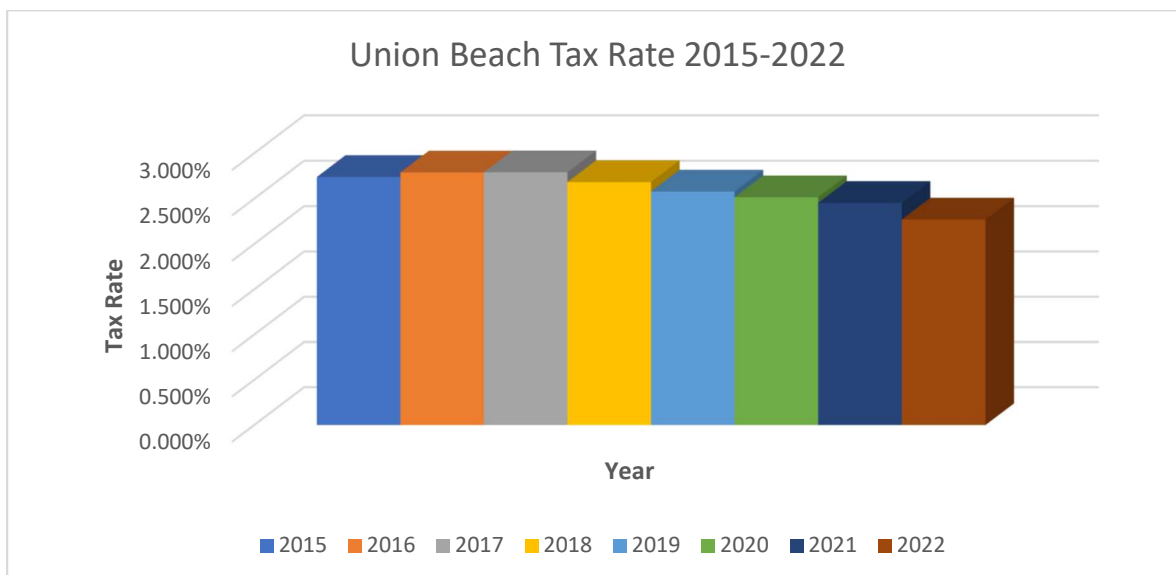
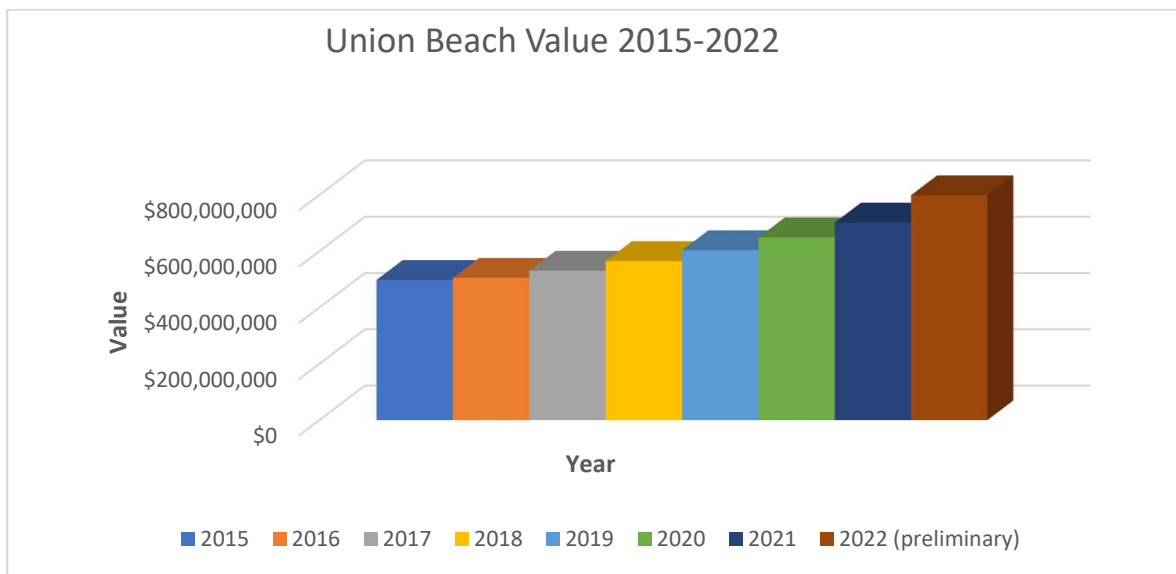
TAX RATES AND BUDGETS

There are several components that comprise the total tax levy. Each component has an individual budget that must be funded through property taxes. The municipal portion is only one component of the overall levy and the only component that the Borough has control over. The tax rate is derived by dividing the total amount to be raised through taxation, i.e. the overall levy, by the total value of the municipality. The below chart shows the 2021 tax rate certification.

Monmouth County Board of Taxation			
2021 General Tax Rate Certification Schedule			
Borough of Union Beach	Amount	Rate per \$100	Percent
County Budget	\$1,611,697.74	0.229	9.33%
County Library Budget	\$120,972.09	0.017	0.69%
District School Budget	\$7,169,866.00	1.021	41.59%
Regional School Budget			
Local Municipal Purposes	\$8,112,408.50	1.155	47.05%
Municipal Open Space Fund			
Municipal Library Fund			
County Health Budget	\$32,996.88	0.005	0.20%
County Open Space Fund	\$193,723.26	0.028	1.14%
Total Tax Levy on which Tax Rate is Computed	\$17,241,664.47	2.455	
Net Valuation Taxable	\$702,579,913		

The tax rate and the aggregate municipal value have a semi-proportionate relationship. An increase in the total value of a municipality can mean a reduction in the tax rate so long as the percent increase of the overall levy does not exceed the percent increase of the municipal aggregate value.

Looking forward, if 1% is deducted from the 2022 preliminary aggregate to account for potential appeal loss and 4% is added to the 2021 total tax levy to account for budget increases the 2022 tax rate would project to be 2.27. This is a realistic expectation; however, the true impact of appeals and levies will not be known until June. The 2022 tax rate is published shortly after the annual certification of the levy.



Below is the same tax rate and aggregate value data from the bar graphs, but without a 2022 projection, and organized into a simple chart instead. It is important to understand the relationship between them.

Year	Total Tax Levy (yield from)	Net Value UB Borough	Tax Rate
2015	\$13,654,978	\$498,538,824	\$2.739
2016	\$14,109,825	\$505,909,823	\$2.789
2017	\$14,825,783	\$531,199,693	\$2.791
2018	\$15,169,169	\$565,380,893	\$2.683
2019	\$15,578,445	\$604,049,834	\$2.579
2020	\$16,345,064	\$649,644,817	\$2.516
2021	\$17,241,664	\$702,579,913	\$2.454
2022*(preliminary value)	TBD	\$799,605,600	TBD

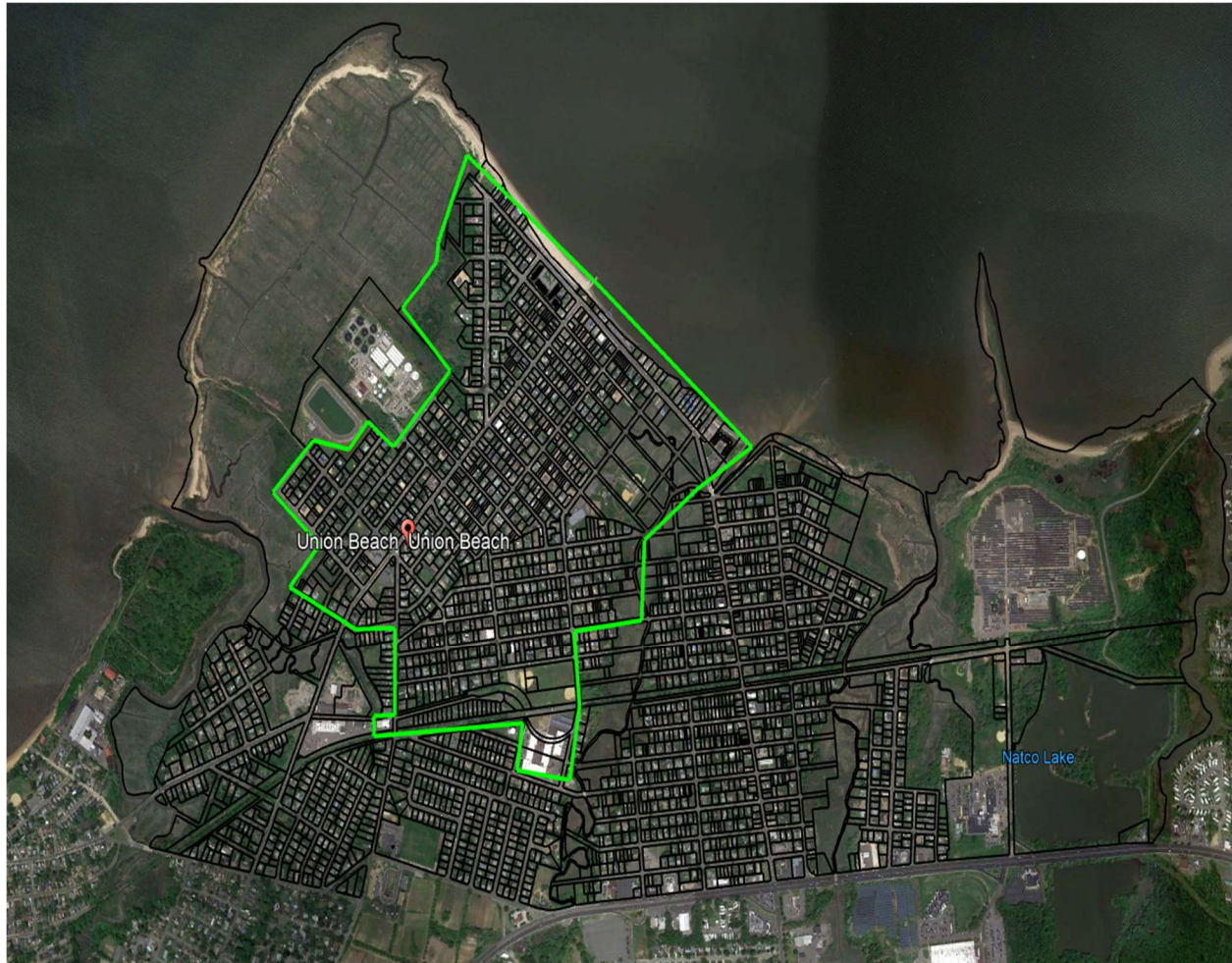
INSPECTION & DATA COLLECTION

The Borough of Union Beach completed its first five-year inspection cycle in 2019. The Borough posted an RFP for inspection services beginning January 1, 2020 and contracted with the same vendor as the previous cycle. The current cycle will entail 20 percent of the Borough to be inspected annually from 2020 through 2024. Accurate data collection aides in maintaining accurate property assessment records year over year. The Covid-19 pandemic was addressed by inspectors adhering to all social distancing safety measures, mask wearing, and the inclusion of a “virtual” inspection option via smartphone or tablet. Unfortunately, the pandemic also delayed the inspection process for many months, resulting in a backlog of municipalities waiting for the cycle to catch up. Project planning for the 2022 inspection cycle have not been finalized

as of the date of this publication. But information about the coming cycle will be posted on the Union Beach Tax Assessor web page:

<http://www.ubnj.net/ubnj/Departments/Tax%20Assessor/UB-RDS-2020-Inspections.pdf?1604942945>

2020-2021 Inspection Area



It is worth noting that there has also been a legislative change to the inspection process. Previous legislation amended the inspection process to extend the cycle for up to eight years if needed. This meant lower costs to the municipality and the potential of years where inspections were not performed at all so long as 100% of the properties in a municipality were inspected within the 8-year time frame. Meaning that year 6 and year 7 of a cycle could be “idle” if the municipality has met the 100% requirement in years 1-5. However, the Division of Taxation has amended the regulation to require all reassessment districts to conform to the original 5-year inspection cycle. **Please see the memorandum on the following page.**

NJDOT AMENDED INSPECTION REGULATION



State of New Jersey

DEPARTMENT OF THE TREASURY
DIVISION OF TAXATION
P. O. BOX 251
TRENTON, NEW JERSEY 08695-0251

PHILIP D. MURPHY
Governor

ELIZABETH MAHER MUOIO
State Treasurer

SHEILA Y. OLIVER
Lt. Governor

JOHN J. FICARA
Acting Director

Telephone (609) 292-7974 / Facsimile (609) 292-9439

MEMORANDUM

TO: Municipal & County Assessors, County Tax Board Administrators & Commissioners

FROM: Shelly Reilly, Assistant Director, Property Administration

DATE: August 18, 2021

SUBJECT: Interior Inspection Cycles for Annual Reassessments

This memorandum is in regard to the inspection cycles for annual reassessments and supersedes the memorandum of August 10, 2018. Pursuant to Chapter 136, Laws of 2021, N.J.S.A. 54:4-23b was amended to remove the language permitting interior inspection cycles to occur over an eight-year period. Now, the statute allows for "an ongoing inspection cycle," with no specified time period in the law.

Since the statute no longer specifies a particular length of interior inspection cycle, the provisions of N.J.A.C. 18:12A-1.14(i) now govern. The maximum permissible length of an interior inspection cycle for annual reassessment is five years. This will be applied prospectively to ensure uniformity amongst the properties within each county.

The Division of Taxation will contact the assessors and county tax administrators for municipalities currently in the midst of eight-year interior inspection cycles on how to proceed with the law's amendment based on the particular facts and circumstances of that municipality.

It remains the policy of the Division of Taxation to have the percentage of inspections equally distributed throughout the inspection cycle. That is, the assessor should inspect 20% of line items each year over the five-year period. If an assessor wishes to deviate from this policy, he or she must provide a written request and justification of the circumstances in the particular municipality to the County Tax Administrator and the Division of Taxation.

If you have any questions, contact the Division of Taxation at (609) 292-7974 or (609) 292-7975.

SR: KB

A reassessment is a complex and lengthy procedure that not only requires extensive data analysis, but also the ability to communicate that process to taxpayers and municipal officials. It is my hope that this annual publication will serve as the information hub for reassessment data. The primary goal of the assessment function is to distribute the tax levy fairly and proportionately. This is achieved by maintaining accurate market-based assessments year after year through the annual reassessment process.

**For questions and more information please contact the Borough Assessor, Michael Del Re
at 908-675-5776 or taxassessor@unionbeachnj.gov**